

Message Text

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11

ACTION NEA-10

INFO OCT-01 ISO-00 IO-10 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 AGR-10 FEA-01 PA-02 PRS-01 /115 W

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P R 310908Z JUL 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 7749

INFO AMCONSUL JERUSALEM

UNCLAS TEL AVIV 4929

E.O. 11652: N/A

TAGS: EFIN, AFSP, IS

SUBJ: ISRAELI POUND: FURTHER DEVALUATION?

REF: TEL AVIV 3904

1. GOI ANNOUNCED JUNE 18, NEW SYSTEM OF CRAWLING OR MINI-DEVALUATIONS OF MAXIMUM TWO PERCENT WITH MINIMUM TIME BETWEEN DEVALUATIONS OF THIRTY DAYS. SINCE ANOTHER MINI DEVALUATION HAS NOT OCCURED IN INTERIM, THERE IS INCREASING SPECULATION THAT GOI MAY DEVALUE BY MORE THAN TWO PERCENT OR EVEN UNLIKE POUND FROM DOLLAR. AT VERY LEAST, MOST OBSERVERS EXPECT SECOND TWO PERCENT DEVALUATION WITHIN NEXT FEW DAYS NOTING REPORTS THAT RESERVES OF FOREIGN EXCHNAGE FELL \$70 MILLION IN JULY.

2. BANK OF ISRAEL GOVERNOR SANBAR HAS STATED PUBLICALLY THAT POSITIVE EFFECTS JUNE MINI-DEVALUATION HAVE BEEN WIPED OUT BY INCREASE IN VALUE OF DOLLAR. MOREOVER, THERE ARE PRESS REPORTS THAT IMF TEAM PRESENTLY IN ISRAEL HAS SUGGESTED UNLINKING ISRAELI POUND FROM DOLLAR.

3. COST-OF-LIVING ALLOWANCE (COLA) NEGOTIATIONS BETWEEN
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EMPLOYERS AND HISTADRUT STILL NOT COMPLETED. HOWEVER,

AGREEMENT TO PAY 7.5 PERCENT ADVANCE COLA FOR JULY
SIGNED JULY 30. THERE HAVE BEEN SOME REPORTS THAT GOI
AWAITING OUTCOME THESE NEGOTIATIONS BEFORE DECIDING
WHAT TO DO REGARDING VALUE ISRAELI POUND.

4. EFFECT OF THESE DEVELOPMENTS HAS BEEN TO CREATE
INCREASED UNCERTAINTY ABOUT FUTURE VALUE ISRAELI POUND.
JULY 30 NATAD DOLLAR REACHED RECORD LEVEL IL 6.99 AND
BLACK MARKET DOLLAR IL 7.65.
TOON

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NNN

Message Attributes

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